How does it compare with the other international airports?

श्री सी० एम० इब्राहीम: जहां तक कंपनसेशन का सवाल है, हमने एक चीज इसमें की है कि जितने लोग इस दुर्घटना में मरे हैं उनके परिवार वालों को हम सिविल ऐविएशन मिनिस्ट्री की तरफ से फ्री लीगल ऐड दे रहे हैं। हम अच्छे से अच्छे वकील को लेंगे और जितना कंपनसेशन इंटरनेशनल स्टैंडर्ड के मुताबिक मिलना चाहिए, वह हम दिलाने की कोशिश करेंगे। मैंने खुद अपने डिपार्टमेंट की तरफ से यह ऑर्डर कम्युनिकेट कर दिया है कि मृत व्यक्तियों के संबंधी हमारे वकील को कांटेक्ट करें और क्लेम फाईल करें।

जहां तक इस बात का ताल्लुक है कि कंपनसेशन मृत व्यक्ति की इनकम के हिसाब से हो या बड़ी इनकम वाले को बड़ा कंपनसेशन मिले, मैंने भी यह बात अखबार में पढ़ी थी लेकिन यह ठीक नहीं है। हम यह सोचते हैं कि चाहे भारत में रहने वाला मनुष्य हो या भारत के बाहर रहने वाला मनुष्य हो, चाहे उसकी इनकम कम हो या ज्यादा हो लेकिन सबकी जान की कीमत बराबर होनी चाहिए। यह स्टैंड हम अपनी तरफ से ले रहे हैं।

THE DEPUTY CHAIRMAN: I think at 4 o'clock there is a statement by the Minister on the same subject. Whatever further queries the hon. Members have in their mind, they can put those questions at that time. We have taken enough time on the first question.

श्री सुन्दर सिंह भंडारी: मैडम, मुझे भी इस पर सवाल पूछना था।

उपसभापति: आप शाम को पूछ लीजिएगा क्योंकि हम शाम को इस बारे में एक स्टेटमेंट करवा रहे हैं।

*62. *[The questioner (Dr. Jagannath Mishra was absent for answer vide col.....infra]*

Decline in Purchasing Power of Rupee

*63. SHRI KRISHNA KUMAR BIRLA: Will the Minister of FINANCE be pleased to state:

(a) whether Government have made any assesment of the rupee losing its purchasing power in the domestic and global markets since the depreciation in its value in September/October last year;

(b) whether any further depreciation in the rupee value against US dollar is anticipated by Government by the end of this year, if so, the extent thereof; and

(c) the manner in which Government propose to stabilise the rupee value and to avoid further depreciation?

THE MINISTER OF STATE OF THE MINISTRY OF PLANNING AND PROGRAMME IMPLEMENTATION AND MINISTER OF STATE OF THE MINISTRY OF SCIENCE AND TECHNOLOGY (SHRI YOGINDER K. ALAGH): (a) to (c) a statement is laid on the Table of the House.

Statement

(a) The exchange rate of the rupee with respect to the US dollar experienced considerable volatility in September and October 1995 and again in January and early February 1996, after a prolonged period of stability between March 1993 and July 1995. Measures taken by the RBI over the period October 1995 to February 1996 contained the volatility in the foreign exchange market and the rupee has remained broadly stable vis-a-vis the US dollar since then. The purchasing power of the rupee in the domestic market, as measured by the consumer price index for industrial workers base 1982, which was 31.55 paise in September 1995 declined to 29.07 paise in September 1996.

(b) and (c) The Reserve Bank closely monitors the movements in the exchange rate of the rupee. The stance of policy in this regard is to allow the exchange rate of the rupee to reflect the change in economic fundamentals and to counter persistent volatility and misalignment. At the same time, the Reserve Bank is persevering with institutional measures to provide the foreign exchange market with liquidity and depth.

SHRI KRISHNA KUMAR BIRLA: Madam, the purchasing power of the rupee has declined both domestically and globally. The state of the economy is not in a very good shape. The export growth which affects the purchasing power of the rupee globally has been only 9.17 per cent in the first six months of the current year against 20.9 per cent last year. Non-oil imports have declined sharply to about 5.2 per cent against 26.9 per cent in the year 1995-96 showing a slow-down in the industrial activity. I first put my question regarding the domestic purchasing power of the rupee.

The velocity of circulation of money holds an important position in the economy and affects the purchasing power of the rupee. If the velocity of circulation declines, then that shows that money is becoming less efficient. In other words, it means larger and larger quantity of money is required to maintain the same level of output. This results in what is termed as a 'fall in the purchasing power of the rupee'. The velocity has declined from 1.71 in 1990-91 to 1.62 in 1995-96. Fiscal deficit too indicates the state of the economy and affects the rise or fall in the purchasing power of the rupee. My first question is this. I would like to know: What steps does the Government propose to take to ensure that the velocity of circulation of money does not decline any further? Secondly, what is the latest trend of fiscal deficit which affects the purchasing power of the rupee for the current year against the 5 per cent fiscal deficit that was aimed at by the Finance Minister for the current year?

SHRI YOGINDER K. ALAGH: Madam, at present the fundamentals of the economy are fairly strong. The currency and/or reserve money growth is around 5.8 per cent.

The Member has referred to the pressure on the balance of trade also. While it is true that there has been some deceleration in export growth, there has also been deceleration in the rate of growth of import. Threfore, the trade deficit during the first six months of 1996-97 has improved. It was 4, 539 million US dollars for the whole year 1995-96 and in the first six months of 1996-97 it is 1,813 million dollars. The forward premium on the dollar has, in fact, gone down which reflects the basic strength of the Indian economy.

SHRI KRISHNA KUMAR BIRLA: Madam, the hon. Minister has not answered my question regarding the trend of fiscal deficit in the current year as compared to 5 per cent fiscal deficit that was aimed at by the Finance Minister for the year. In case the Minister does not have the answer, he can write to me.

SHRI YOGINDER K. ALAGH: The hon. Member knows that the growth of currency is related to that question. But I would say that the target of fiscal deficit for the current year is still what it was at the time when the Budget papers were laid on the Table of the House.

SHRI KRISHNA KUMAR BIRLA: I am not asking for targets. The target, I know; it is five per cent. What is the trend? After all, eight months have passed. The Minister must have made an assessment as to whether the fiscal deficit is going to be five per cent or it is going to be more. My opinion is that fiscal deficit is going to be much more as compared to five per cent. That is why I posed this question to the hon. Minister.

SHRI YOGINDER K. ALAGH: At this stage, since money supply growth is under control, currency growth is under control, I think it can be reasonably said that the target for the fiscal deficit is under achievement.

SHRI KRISHNA KUMAR BIRLA: Okay, Madam, if that is how the Minister wants to put it...*(Interruptions)*...

THE DEPUTY CHAIRMAN: Shri Raghavji...*(Interuptions)*...

SHRI KRISHNA KUMAR BIRLA: Madam, I have only asked one question. These were parts 'a' and 'b' of my first question. I will come to the second question. In the six months of the current Year, the rupee value has declined globally by almost four per cent, that is, from Rs.34.44 to the dollar to Rs.35.70 to the dollar. Decline of the rupee depends upon a number of factors and balance of payment position is a major factor. The balance of payment deficit for the current year, that is, 1996-97 is expected to be about US dollar 6.6 billion or 1.9 per cent of the GNP. Both these figures are the highest in the last six years. Our foreign exchange reserves at the end of October were about US dollars 19 billion. But in January and February, 1997, there is going to be a redemption of foreign loans amounting to US dollars six billion. How does the Government propose to check the adverse balance of payment deficity? How does the Government propose to enhance the foreign exchange reserves after the same are likely to fall early next year as a result of redemption of loans?

WELCOME TO PARLIAMENTARY DELEGATION FROM IRAN

THE DEPUTY CHAIRMAN: Before I can ask the Minister to reply I have an announcement to make.

We have with us, seated in the Special Box, Members of a Parliamentary delegation from Iran, currently on a visit to our country under the distinguished leadership of H.E. Mr. Ali Akbar Nateq Noori, Speaker of the Majlis of Iran. On behalf of the Members of the House and on my own behalf, I take pleasure in extending a hearty welcome to the Leader and other Members of the delegation and wish our distinguished guests an enjoyable and fruitful stay in our country. We hope that during their stay here they would be able to see and learn more about our Parliamentary system, our country and our people and their visit to this country will further strengthen the friendly bond that exists between India and Iran. Through them we convey our greetings and best wishes to the *Majlis* and the friendly people of Iran.

ORAL ANSWERS TO QUESTIONS—Contd. (Q. No. 63)

THE DEPUTY CHAIRMAN: Now, Mr. Minister, as we have distinguished guests, you please answer the questions in short because we have very little time and I have a whole set of questions.

SHRI ASHOK MITRA: The Minister himself is a distinguished guest.

SHRI YOGENDRA K. ALAGH: Madam Chairperson, as I said earlier and as the hon. Member has said, in fact, our reserves have gone up by two and a half billion dollars. Our current account deficit is expected to be around two per cent of GDP which is not at all alarming. Our debt service ratio which is another indicator of the viability of our foreign sector, is in fact, expected to come down from 26 per cent to 25 per cent and, as I was telling the hon. Member, the forward premium on the dollar is, in fact, less today than it was a few months ago. As on the 15th of November, it has gone down to 9.27 per cent for the three month rate and 9.44 per cent for the six month rate. The hon. Member knows that markets are the most important indicator of confidence. As I mentioned to him, as regards the balance of trade

for the first six months, the deficit is around 1,800 million dollars while the annual deficit for the last year in dollar terms was 4,539 million dollars and, in fact, our foreign debt has also gone down from 99 billion dollars to about 93 billion dollars which is a fall of six billion dollars. Therefore, I think it is very premature to sound alarmist on foreign exchange. I think basically the fundamentals of the economy are strong and the rupee reflects the strength of the Indian worker and the Indian peasant.

श्री राघवजी: माननीय मंत्री जी ने अपने उत्तर में यह स्वीकार किया है कि सितम्बर 95 में घरेलू बाज़ार में रुपए की कीमत 31.55 पैसे थी जो घट कर 29.07 पैसे रह गई है। इसका मतलब यह है कि ढाई पैसा एक वर्ष में घटा है जो कि लगभग आठ प्रतिशत बैठता है। जब मूल्य घटता है तो रुपए की क्रय-शक्ति घटती है और जब रुपए की क्रय-शक्ति घटती है तो महंगाई बढ़ती है। माननीय मंत्री जी दूसरी तरफ यह कह रहे हैं कि मनी सप्लाई हमारे कंट्रोल में है। अगर आठ परसेंट की दर से पैसे की कीमत घटती रही तो बारह साल में रुपए की कीमत ज़ीरो हो जाएगी, निल हो जाएगी। तो यह कैसे अंडर-कंट्रोल है? आठ परसेंट को कम नहीं कहा जा सकता है एक साल में, यह बहुत बड़ी कमी है और इसी कारण महंगाई बढ़ रही है। तो मैं माननीय मंत्री जी से यह जानना चाहता हूं कि किस प्रकार से आप यह कह सकते हैं कि यह नॉर्मल है और अगर यह नॉर्मल है तो फिर एबनॉर्मल क्या हो सकता है, वह भी बताएं। इसको ठीक करने के लिए आप क्या क़दम उठाने जा रहे हैं ताकि महंगाई न बढ़े और रुपए की कीमत घरेलू बाज़ार में अधिक न घटे, यह भी माननीय मंत्री जी बताने का कष्ट करें।

उपसभापति: एबनॉर्मल बता दीजिए क्योंकि नॉर्मल तो आप बता चुके हैं।

श्री योगेन्द्र के० अलघ: ठीक है मैडम, जो नॉर्मल बात थी, वह मैं फिर नहीं कहूंगा लेकिन माननीय सदस्य का यह कहना कि पिछले वर्ष खाद्यान्नों के भाव बढ़े हैं, यह हमें मानना चाहिए और खास करके गेहूं और चावल के। इसलिए इस बार सरकार ने प्रयत्न किया है कि सिंचाई के लिए...**(व्यवधान)**...

श्री अनन्तराय देवशंकर दवे: सबके भाव बढ़े हैं।

श्री राघव जी: गेहूं दस रुपए किलो हो गया है।

श्री योगेन्द्र के० अलघ: तो इसीलिए हम लोग चाह रहे हैं कि खेती के ऊपर हम ज्यादा प्राथमिकता दें। सिंचाई के साधनों के लिए इस बार बजट में जैसे माननीय सदस्य जानते हैं, आठ सौ करोड़ रुपए का बड़ी सिंचाई योजनाओं के लिए और सौ करोड़ रुपए का छोटी सिंचाई योजनाओं के लिए प्रावधान किया गया है।...**(व्यवधान)**...

श्री अनन्तराय देवशंकर दवे: दाम तो काफी बढ़े हैं।...**(व्यवधान)**...

श्री रामदास अग्रवाल: सवाल क्या है, जवाब क्या दे रहे हैं?...**(व्यवधान)**...

श्री योगेन्द्र के० अलघ: महोदया, किसान को साधन मिलने चाहिए। रबी में भी हम उम्मीद करते हैं कि इस बार की रबी पहले से अच्छी है। अगर आप सोचते हैं कि कृषि के साधन का मूल्य के साथ कोई संबंध नहीं है तो मैं आपके साथ बड़ा रिसपैक्टफुल्ली डिसऐग्री करूंगा। अगर कृषि के भाव बढ़े हैं तो कृषि को प्राथमिकता देनी चाहिए। अगर आप इस बात को नहीं मानते हैं तो...**(व्यवधान)**...

श्री रामदास अग्रवाल: मानते हैं।...**(व्यवधान)**...

श्री योगेन्द्र के० अलघ: मानते हैं तो आप मेरी बात को...**(व्यवधान)**...

श्री अनन्तराय देवशंकर दवे: यह गलत फैक्ट्स बता रहे हैं।...**(व्यवधान)**...

श्री रामदास अग्रवाल: गरीब आदमी को कहां...**(व्यवधान)**...

डा० नौनिहाल सिंह: दालों के भाव बढ़ रहे हैं...**(व्यवधान)**...

श्री रामदास अग्रवाल: 415 रुपये ...**(व्यवधान)**... किसान को कहां से फायदा मिलेगा? ...**(व्यवधान)**...

THE DEPUTY CHAIRMAN: I am not allowing this. Please sit down...*(Interruptions)*...Please sit down. Don't do like this. Mr. Agarwal, I know you are very knowledgeable as far as market is concerned. Please sit down. Let the Minister answer the question. When you become a Minister, the same thing will happen to you. So, please sit down just now...*(Interruptions)*...

श्री त्रिलोकी नाथ चतुर्वेदी: तब तक तो ईरीगेशन के नतीजे आने लगेंगे।...(**व्यवधान**)...ईरीगेशन में जो पैसा लगा रहे हैं, उसके नतीजे आने लगेंगे ...(**व्यवधान**)...

THE DEPUTY CHAIRMAN: Mr Chaturvedi, I have not called your name. I have not called your name...*(Interruptions)*...I am not allowing you to speak...*(Interruptions)*...

श्री योगेन्द्र के० अलघ: चतुर्वेदी जी, आप इस बात को मज़ाक समझते हैं। जो ईरीगेशन में पैसा दिया गया है ...(**व्यवधान**)...आप मेरी बात सुनिए। ...(**व्यवधान**)...महोदया...(**व्यवधान**)...

श्री त्रिलोकी नाथ चतुर्वेदी: मैं ऐसा बिल्कुल नहीं समझता हूं। मैं बहुत अदब के साथ कहना चाहता हूं कि मैं माननीय मंत्री जी को बहुत अरसे से जानता हूं। मैं इसको बिल्कुल लाइट्ली नहीं ले रहा हूं। ...(**व्यवधान**)...

THE DEPUTY CHAIRMAN: Mr. Chaturvedi, this is not the proper way. I am very sorry to say this. This is not the way. Please sit down...*(Interruptions)*...

SHRI TRILOKI NATH CHATURVEDI: Madam, the question relates to devaluation of the rupee, not to planning.

श्री योगेन्द्र के० अलघ: जब यह कहा गया है कि ऐसी योजनाओं में पैसा खर्चा जाएगा जिसमें अगले तीन सीज़न्स में किसान को पानी पहुंचाया जाए और अगर आप यह सोचते हैं कि उसका कोई असर भाव पर नहीं होगा तो भारत का किसान आपको जवाब देगा। ...(**व्यवधान**)...

श्री त्रिलोकी नाथ चतुर्वेदी: आपको समझने में कोई...(**व्यवधान**)...The question relates to the rising prices.

THE DEPUTY CHAIRMAN: I am not allowing you to speak. Please sit down.

SHRI ANANTRAY DEVSHANKER DAVE: Madam, the question is about the purchasing power of the rupee.

प्रो० विजय कुमार मल्होत्रा: सवाल क्या है और आप क्या जवाब दे रहे हैं।...(**व्यवधान**)...

श्री अनन्तराय देवशंकर दवे: सवाल परचेज़िंग पॉवर के बारे में है।...(**व्यवधान**)

THE DEPUTY CHAIRMAN: You cannot ask a question without my permission. So, please sit down. I have not permitted you to put a question. So, please take your seat. Let me handle the situation in a proper way...*(interruptions)*...No, I am not allowing anybody. During the Question Hour, you cannot ask the Minister to respond to you on a policy decision. If it is a question relating to a policy decision, discussion on it cannot be concluded in five-ten minutes or even in half-an-hour. If you want a discussion on it, you may please seek the permission of the hon. Chairman. I will also request him to give time for such a discussion. When such a permission is given, you can discuss the whole policy. Now, if you want specific answeres. please put specific questions. The Question Hour is not meant to discuss the entire policy of the Government and I have so many names before me.

SHRI K.R. MALKANI: The answers should also be specific...*(Interruptions)*...

THE DEPUTY CHAIRMAN; If the questions are specific, answers will also be specific. Now, Shri Biplab Dasgupta.

SHRI YOGENDRA K. ALAGH: Madam, this is not true. My answers are very specific ...*(Interruptions)*...

DR. BIPLAB DASGUPTA: Madam, the whole question of depreciation of the rupee is bound up with the question of convertibility of the rupee. We had in the past been repeatedly saying in this House that the Government should not rush towards convertibility of the rupee and that some caution should be exercised because the move might have serious consequences. Until 1995, the standard answer from the Treasury Benches was, "Look at the stability of the currency. The exchange rate between the US dollar

and the Indian rupee stable." In 1995 October, we had this crisis when the value of rupee began falling and this crisis cost our exchequer about three billion dollars and we had to sacrifice this amount to maintain the exchange rate of the rupee at a certain level. The question I am asking now is this. Whenever you go in for convertibility, you are, in a sense, taking care of one kind of speculation—speculation caused by the hawala transactions. In the process, you are exposing our economy to another kind of speculation caused by much bigger, much stronger economic forces, the foreign exchange dealers who are operating from Switzerland, from Zurich and other places outside India. In this specific case wherein we are watching the alarming depreciation of the rupee, I would like to know whether this is part of a deliberate policy of the Government to rectify the adverse impact of inflation and to maintain the export competitiveness of our goods. If this is the position, let the Minister say so. Let the Minister also say whether it is because of the speculation by the foreign exchange dealers operating from outside the country.

How has it come about? This is something I would very much like to know from you. Then, I would also like to know...

THE DEPUTY CHAIRMAN: Now, please let him answer this much because if you ask too many things, then it becomes... *(Interruptions)* Let him answer that. Let us get a specific answer. Please, Mr. Minister.

SHRI YOGENDRA K. ALAGH: Madam, as compared to October 1995 when the dollar was at Rs. 34.61, it is now at little more than Rs. 35/-. So, the rupee has not really performed all that badly. I think the hon. member is right to the extent when he says that for a few months, the value of the rupee had fallen. In fact, the real effective exchange rate, which is a proper measure of the strength of the rupee, which is a proper measure of the strength of the rupee, that is, that is, you take into account the exchange rate as well as inflation of alternative competitors, in fact, has appreciated by 3.5% over 1993-94. So, I would urge the hon. Member not to consider the situation as one in which the exchange rate movements are out of the control of the Reserve Bank. The fundamentals are strong. There are always temporary aberrations around that and I think there is sufficient evidence during the last year that just as we managed the earlier situation when we accumulated exchange reserves, we are in a position to manage the existing situation. And, as I mentioned to him, the exchange reserves have, in fact, gone up. So, basically while the exchange rate on current account—the Member is absolutely right—is at present determined by market forces, the Reserve Bank of India is in a position to take care of some of the temporary aberrations that he is talking about.

DR. BIPLAB DASGUPTA : I asked a specific question. How has this thing come about? Is this a delibrate policy of the Government that you have brought down the exchange value of the rupee so that our commodities become competitive in the export market or is it because...

THE DEPUTY CHAIRMAN : Dr. Biplab Dasgupta, I have got many other questioners. Mr. Pranab Mukherjee.

SHRI PRANAB MUKHERJEE : Madam. first of all I would like to disagree with the hon. Minister when the finds himself comfortable saying that even if the current account deficit becomes 2% of the GDP, it is not an area of concern. It is so and, according to my calculations, if the current account deficit goes beyond 1.6% of the GDP, it is entering into a zone of danger. As a planner, he is fully aware of it. The second point on which he is deriving comfort is the low import growth. He has completely forgotten that normally the import bunching takes place after the busy season of Indian industry starts and

that has started from the last Friday of October. Therefore, the money supply figure and the import growth, on the basis of which he is deriving comfort, may not remain relevant at the end of the year. When the busy season starts; the money supply may expand and also the bunching of imports may take place. But that is not the moot point. These were the two observations that the hon. Minister made and I thought that I should respond to them.

My question is this. When we have decided that the exchange rate will be determined by the market forces and we have gone in for convertibility on two fronts except on capital account, how is it that the Reserve Bank takes unusually long time to intervene in the market effectively, as it happened in September and October, 1995? While Dr. Dasgupta has very correctly pointed out that because of this inordinate delay and to keep the rupee artificially floated at a predetermined rate, which is not the message of convertibility, the exchequer had to lose about two to three billion US dollars. Therefore, I would like to know from the hon. Minister—of course, it is a bit difficult for him as he is deputising the Finance Minister—what type of mechanism the Reserve Bank is having to have an effective intervention because now with the adjustment of the weightage in the basket of currency, that mechanism is no longer available as you have related it to the market trends.

What mechanism is the Reserve Bank having for promot and effective intervention in the market?

SHRI YOGINDER K. ALAGH: I thought that a debt service ratio of less than 30 per cent is regarded as a good standard all over the world.

SHRI PRANAB MUKHERJEE: I am not talking of debt service ratio....*(Interruptions)*...

SHRI YOGINDER K. ALAGH: And a current account deficit of around two per cent has been conventionally thought..

SHRI AJIT P.K. JOGI: He is talking of current account deficit and not of debt service ratio.

SHRI YOGINDER K. ALAGH: The hon. Member knows that there are normally three indicators which are taken as the strength of a foreign currency. One of them is the debt service ratio and the other can be the current bounds for the short-run. Now, as far as the exchange rate of the rupee is concerned, it is determined by market conditions. The Reserve Bank only intervenes to maintain, as the hon. Member knows, what are called orderly conditions. In other words, if there are extra-ordinary pressures on one side or the other, then the Reserve Bank intervenes. Now, when you get into this kinds of transactions, the Reserve Bank (—after all, the exchange rate is determined by the market—) does build up foreign exchange reserves also. So, in these transactions, in some periods you build up exchange reserves, in other periods you lose foreign exchange reserves. In fact, in the last few months, the foreign exchange reserves have gone up. So, to say that in a two-month period we lost exchange reserves, that the Reserve Bank has not operated monetary policy properly, may be incorrect.

SHRI PRANAB MUKHERJEE: Not of this year. I am talking of last year.

SHRI YOGINDER K. ALAGH: I know, Sir. Then after that they have again added on to the exchange reserves.

That a temporary loss or addition in the exchange reserves is something about which one should be critical of, I would very respectfully disagree. I think, by and large, the Reserve Bank has managed the exchange situation fairly well.

SHRI TRILOKINATH CHATURVEDI: Madam Deputy Chairperson, I would like to know in specific terms from the hon. Minister as to what he means by "institutional measures" to be provided to the foreign exchange market to import it with liquidity and depth. I am interested to know about it. I would request the hon. Minister to spell out for the information of the House the exact institutional measures which the Reserve Bank is supposed to take in this kind of a situation. I am saying this because you have said that the Reserve Bank has, by and large, managed it well, and at the same time, you have also said that the Reserve Bank has not dealt with the situation and supervised it properly. You have said it in your reply just now. you could refer to the records. I would like to assure the hon. Minister that investment in irrigation is ultimately not for the short term, but for the long-term good of the country.

SHRI YOGINDER K. ALAGH: The exact measures, as I said, if in the assessment of the Central Bank there is a feeling that the market conditions are disorderly and people can take advantage of making money in terms of transactions of the rupee as compared to the fundamentals, then the Reserve Bank can intervene by buying or selling. In the earlier periods, as the hon. Member knows, they had bought dollars and raised the foreign exchange reserves.

In this period, which the hon. Member referred to, they did unload in the beginning some dollars to maintain orderly transactions, after that, the rupee has stabilised and they have built up exchange reserves again.

SHRI SATISH AGARWAL: The Reserve Bank sells dollars when the rupee bounces back, say to Rs. 26/- or Rs. 27/-. You don't sell dollars when it goes up to Rs. 38/-.

THE DEPUTY CHAIRMAN: The Question Hour is over.

WRITTEN ANSWERS TO STARRED QUESTION

Criteria for Grant of Licences to Private Banks

*62 DR. JAGANNATH MISHRA: Will the Minister of FINANCE be pleased to state:

(a) what are the details of criteria for grant of licences of Private banks;

(b) whether it is a fact that Government have issued licences to private banks even though these entrepreneures were in the list of defaulters; and

(c) if so, what are the names of such entrepreneurs and the reasons for granting licences to them?

THE MINISTER OF FINANCE (SHRI P CHIDAMBARAM): (a) Notification containing guideline on entry of new private sector banks issued by the Reserve Bank of India (RBI) is annexed as statement (*see* below).

(b) Government do not grant licences for setting up private banks. RBI issues licences for setting up private banks. RBI has informed that they have not issued licences to any new bank which have been promoted by companies whose names figure in the list of Defaulters of Banks and Financial Institutions.

(c) Does not arise.

Statement

RESERVE BANK OF INDIA

Guidelines on entry of new private sector banks

For well over two decades, after the nationalisation of 14 larger banks in 1969, no banks have been allowed to be set up in the private sector. Progressively, over this period, the public sector banks have expanded their branch network considerably and catered to the socio-economic needs of large masses of the population , sepecially the weaker section and those in the rural areas. The public sector banks now have 91 percent of the total bank